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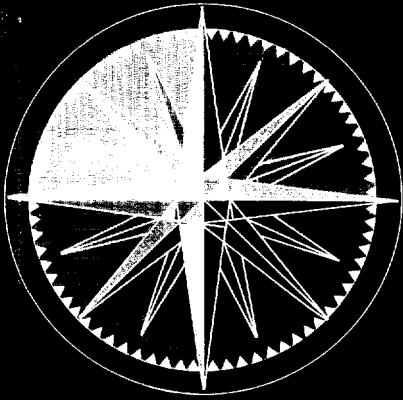
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10 January 1964

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# SPECIAL REPORT

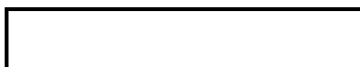
CUBAN TRADE PROMOTION IN THE FREE WORLD

CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE

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## CUBAN TRADE PROMOTION IN THE FREE WORLD

Cuba's trade with free world countries declined from more than 90 percent of its total trade before Castro to less than 20 percent of the total turnover in 1962. Preliminary figures for the first half-year indicate that the pattern began to reverse itself during 1963, and the Castro regime, in an effort to ensure that this trend continues, now is pressing several of its West European Trading partners and Japan to increase commerce with Cuba. Havana is seeking to recapture former markets in Western Europe and at the same time obtain products not readily available from the Communist bloc.

### Castro Launches the Drive

Fidel Castro himself kicked off the trade campaign in mid-November with a quick series of "business" conversations and luncheon meetings with diplomats stationed in Havana, [redacted]

[redacted] The maneuver was conspicuous because he had had few contacts with non-Communist envoys during the preceding four months. He called the [redacted] ambassador at an hour's notice from an early morning meeting with another foreign chief of mission and arranged an invitation to lunch with the [redacted] who was "advised" to round out the guest list with his embassy's commercial attachés.

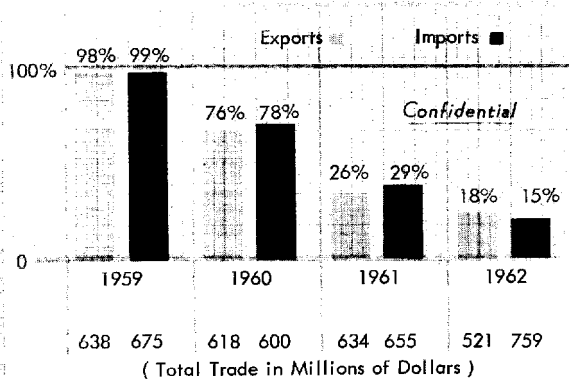
In his 2 January speech, Castro dwelt at some length on Cuba's interest in expanding trade relations with "all coun-

tries of the world" and ridiculed as ineffective and self-defeating the US effort to isolate Cuba from the free world.

### Motivations

There are conflicting views as to what prompted Castro's sudden interest in expanding Cuban trade with the West. At least one nonbloc diplomat in Havana

CUBAN TRADE WITH THE FREE WORLD  
(As % of Total Trade)



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[REDACTED]

saw it as evidence that the regime is anxious to increase trade and obtain the services of Western technicians "at any cost."

It is highly unlikely that Castro contemplates any sweeping revision of Cuba's standing agreements with the USSR and its European satellites. It is also highly unlikely that he plans to reduce current or projected levels of shipments of Cuban commodities to the bloc. The urgency of his approach to renewed commerce with the West, however, can be read as a strong indication that even the USSR's heavy commitment of economic assistance cannot overcome the economic difficulties plaguing the Cuban regime.

Moscow has certainly urged Castro to look for nonbloc sources of supply and to find more free world markets for Cuba's agricultural products. Cubans claim that Soviet leaders have assured Castro that the bloc will continue its present high level of economic aid, but the Soviets have probably at least encouraged him to look to the West for products which the Soviet Union will find it increasingly difficult to supply. Moscow would welcome any successful move in this direction because it would alleviate the heavy burden which support of Cuba imposes on the

hard-pressed economies of bloc countries.

The Soviets, moreover, have certainly pointed out to Castro that any success in his efforts to increase commerce with the West will undercut US policies aimed at the political and economic isolation of Cuba. Moscow has presumably suggested to Castro that by enhancing the "respectability" of his regime and by generally following a course of moderation and restraint in his approach to the West, he might eventually get tacit US recognition.

For the time being, he seems to be counting on semibarter arrangements to obtain the things he needs. Such arrangements are accompanied by offers to pay off debts resulting from the expropriation of European holdings in Cuba by discounting sales of sugar and tobacco. West German interests, among others, have reportedly been offered sugar at 8¢ per pound in return for fertilizers, transportation equipment, and chemicals.

In his luncheon meeting with the [REDACTED] ambassador, Castro sought aid in converting part of Cuba's raw sugar output into a basic sugar-chemical industry. Boasting that Cuba was the best sugar producer in the world, Castro said he hoped that by 1970 the current output of less than 4 million tons per year could be

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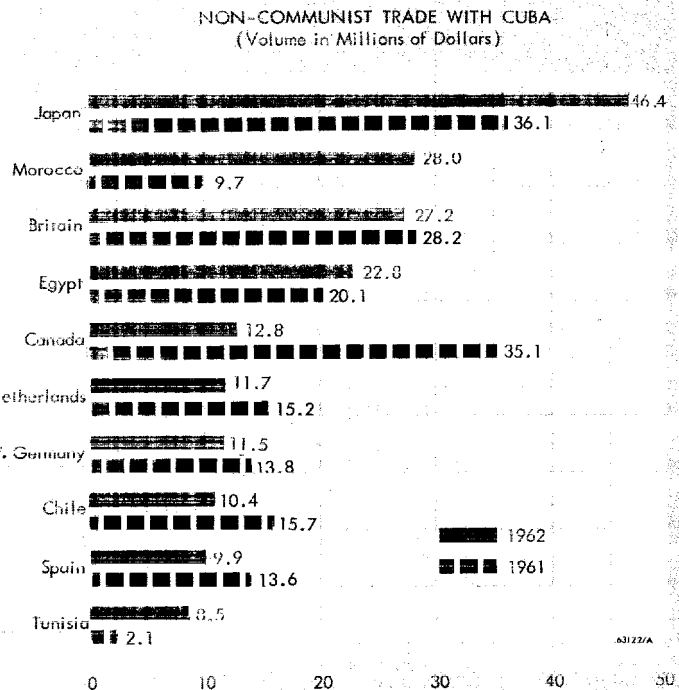
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raised to 10 million. A large part of this increase, he told the [ ] ambassador, could be used to make lucrative sugar derivatives.

### Recent Cuban-Spanish Commercial Contacts

Cuba recently concluded an economic agreement with Spain. Under this agreement, Madrid will buy, over the next three years, between 300,000 and 450,000 tons of sugar at prices ranging from 9¢ to 11¢ per pound. In addition, the Spaniards will buy Cuban tobacco and a reported 20,000 tons of meat. Meat, however, is rationed in Cuba and is in such short supply that Castro's own agricultural experts have despaired of filling domestic needs. The meat deal has not been publicized in Cuba.

Spain now ranks eighth or ninth among Cuba's nonbloc trading partners. Madrid defends its diplomatic and commercial relations with Castro on the ground that extensive Spanish interests on the island require continued protection. The Spanish Government also says it derives considerable advantage from its trade. In any case, it claims, such trade can in no way affect the stability of the Castro regime.



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In the meantime, however, the Spaniards reportedly have agreed to sell Cuba Spanish-made buses to ease a mass transport shortage. They have also reportedly agreed to pay for part of their sugar purchases with convertible currency. The Cubans reportedly hope their exports to Spain over the next three years will exceed \$90 million. They have already purchased \$5 million worth of Spanish wines and candies, thereby saving several Spanish candy firms from bankruptcy.

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Cuba also hopes to buy tractors and other agricultural implements, as well as iron products, railroad equipment, and ships. According to a press report, [ ]

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[redacted]  
[redacted] Spanish shipbuilders have contracted to build coastal vessels of some kind--probably fishing craft--for the Cubans. The Franco government, however, has yet to approve the transaction.

Iberia, the Spanish airline, hopes to double its weekly flights to Havana beginning on 1 April 1964. The Spaniards evidently have agreed to allow Cuban planes to make more frequent flights to Madrid. These planes reportedly carry freight from various West European countries collected at Madrid for shipment to Cuba.

Cuban Trade Promotion Elsewhere  
In Western Europe

In recent weeks, Cuban commercial delegations have visited England, France, West Germany, and Italy. British trade with Cuba in 1962 totaled \$27.2 million. There has been little information forthcoming from British sources about any new Cuban overtures. A Cuban diplomat on the Continent, however, recently said that the Cuban delegation had been "very satisfied" with its reception in London. The Cubans reportedly plan to sell the British 90,000 tons of a requested 150,000 tons of raw sugar in 1964. In addition, they will export tobacco, honey, and other commodities--making a total of approximately \$30 million, the highest annual volume since Castro came to power.

In return, Cuba will buy more British products. The Leyland Company reportedly has granted Havana a five-year credit for 500 buses, including spare parts. In the past, Havana has met its obligations to this company, which, in turn, has fulfilled similar contracts on time. Cuba also wants to buy tractors and other agricultural equipment, including fertilizers, tires, electrical equipment, heavy construction equipment, and plants to manufacture chemical products.

A shortage of foreign exchange and a limited export capability handicap Cuba's effort to expand its European trade beyond current levels. Castro evidently has offered to pay for French holdings seized in Cuba in return for freer trade. The French, however, have refused on the ground that the two issues are not connected. The French are dickering in Havana over settlement of the pre-Castro debt of \$1 million and may be prepared to accept an annual \$50,000 payment. They have decided not to sell Cuba strategic or military material. They are also determined to avoid credit sales and are insisting on cash payment before loading. The Cuban ambassador to Paris reportedly has been instructed to seek government-guaranteed commercial credits, similar to those granted by the Leyland Company in Britain.

According to a Western engineer-- [redacted]

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[redacted] the Cubans in early December sought to buy twenty 2,000-horsepower diesels from a French company. The French reportedly wanted to conclude the deal, but were unable to meet a four-month delivery deadline.

A Netherlands company reportedly is trying to procure locomotives and locomotive spare parts for sale to Cuba. This company is said to have abandoned earlier efforts to stock US-manufactured automotive parts in favor of more readily obtainable European products which can be used as substitutes.

#### Cuban Trade Promotion in Japan

In 1961 and 1962 Japan was foremost among Cuba's nonbloc trading partners. Volume for 1962 reached \$46.4 million. Figures for 1963 are not available, but the Japanese are likely to retain their pre-eminent rank. A Cuban shipping agent tried in December to

charter four British vessels for January through April to handle trade between Cuba and Japan. He had previously failed to obtain Japanese charters, but received some indication that Tokyo might grant charters after April.

In mid-November a consortium of nine Japanese firms agreed to buy 325,000 metric tons of Cuban sugar at an estimated price of \$120 per ton. Half was to be paid for in cash and the other half in goods--including steel plate, fishing nets, nylon cord, and possibly acetate yarn. Shipments are to be made from July 1964 through June 1965.

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Japanese shipbuilders have built at least five tuna boats for Cuba. In a speech on 26 November, Castro said his government might buy a 1,200-ton mother ship for the tuna boats. He said, in the same speech, that 1964 sugar sales to Japan would amount to \$70 million under existing agreements. He added that he hoped to increase the \$30-40 million worth of Cuban purchases stipulated under the same agreements--if the Japanese augment their sugar purchases after 1964.

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